



STATE OF DELAWARE


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MEMORANDUM

TO: The Chairman and Members of the Commission

FROM: Lisa B. Driggins, Public Utilities Analyst 

DATE: January 12, 2017

SUBJECT: IN THE MATTER OF THE APPLICATION OF METROPOLITAN
TELECOMMUNICATIONS OF DELAWARE INC. FOR THE
APPROVAL OF PARTICIPATION IN FINANCING ARRANGEMENT
PURSUANT TO DEL. C. §215.
(FILED DECEMBER 30, 2016) - DOCKET- NO. 16-1163

Application:

On December 30, 2016, Metropolitan Telecommunications of Delaware, Inc. d/b/a/ MetTel , LLC ("MetTel" or "Applicant") filed an application (the "Application") seeking approval by the Delaware Public Service Commission ("Commission") to participate in certain financing arrangements of up to \$95 million.

Applicant:

MetTel is a wholly owned subsidiary of Manhattan Telecommunications Corporation and indirect subsidiary of MetTel Holding, a privately held Delaware holding company. MetTel was authorized by the Commission as competitive local exchange carrier on March 27, 2001, in PSC Docket No. 00-648, Order No. 5672. In addition, MetTel's affiliates are authorized to provide facilities-based and/or resold interexchange telecommunications services, and competitive local exchange services in 49 states.

Transaction:

MetTel Holding, and all of its direct and indirect subsidiaries, including MetTel, will enter in to a Second Amended and Restated Credit Agreement and related Security Agreement with JPMorgan Chase Bank, N.A. (the "Agreement"). JP Morgan Chase Bank, N.A. ("JP

Morgan”) shall serve as the Administrative Agent under the Agreement for a series of lenders. Pursuant to the Agreement, MetTel Holdings will receive a revolving credit facility of \$15,000,000 and additional term loan capacity of (a) up to \$50,000,000 under a Senior Secured Loan and (b) up to \$30,000,000 for an acquisition basket.

The obligations of the revolving credit facility and the additional term loan capacity shall be secured by a security interest in all the assets of MetTel Holding and its subsidiaries, including MetTel. The proceeds of the revolving credit facility will be used for general corporate purposes of MetTel Holdings, while the proceeds of the additional term loan capacity will be used for dividends and/or acquisitions.

The financing arrangements are designed to sustain MetTel’s provisioning of competitive services and to enable MetTel and its owners to improve the operational and cost efficiencies of its business.

Public Interest:

The Applicant asserts that the public interest will be served and that the transaction is in accordance with the law and is for a proper purpose. According to the Applicant, the proposed transaction will serve the public interest by promoting competition among telecommunication carriers by providing additional working capital and the ability to finance acquisitions to enhance the company’s services. In addition, there will be no change in the services offered to MetTel’s customers or the rates of regulated services. Furthermore, the Transaction will be transparent to customers and will not disrupt service or cause customer confusion or inconvenience.

Staff’s Recommendation:

Applications seeking financing approval by large multi-state resellers of competitive intrastate telecommunications services technically come under the provisions of 26 Del. C. §215 because the companies are deemed to be public utilities. In addition, the Applicant has represented that the financing proposal is in accordance with law, for a proper purpose, and consistent with the public interest. The Commission has previously allowed such applications to become effective by statutory approval without Commission action. The result seems appropriate under the circumstances. Staff, therefore, recommends that the Commission not act on this application. Under 26 Del. C. §215(d), the effect will be that the application is deemed to be approved by the Commission. Staff will also acquire verification from the Applicant that the proposed financing arrangements have been completed.